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THE Demand and Price SITUATION

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NONAGRICULTURAL EMPLOYMENT AND POPULATION, UNITED STATES, 1929-40

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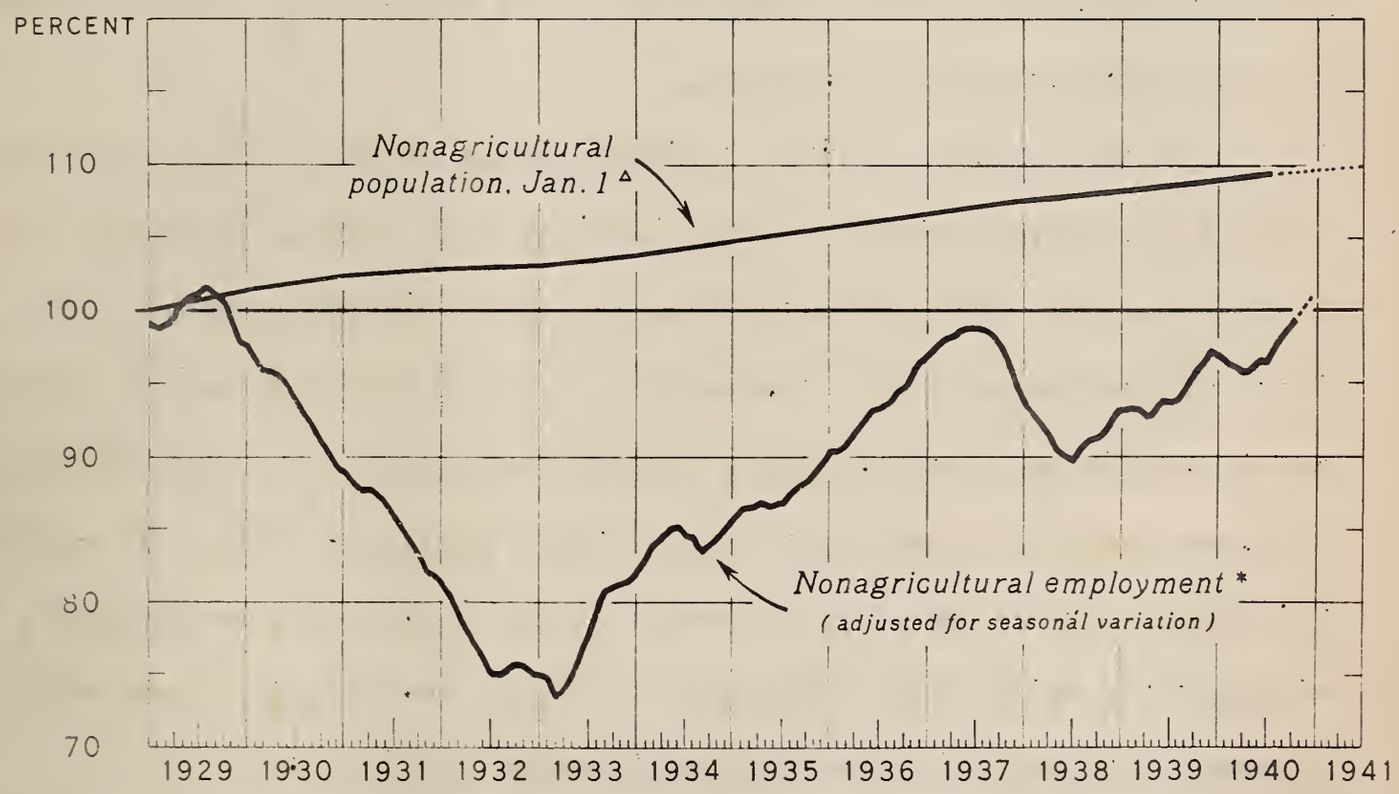

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U. S. DEPARTMENT OF AGRICULTURE NEG. 38563 BUREAU OF AGRICULTURAL ECONOMICS

ALTHOUGH AT THE END OF 1940 INDUSTRIAL ACTIVITY WAS ABOUT 20 PERCENT ABOVE THE 1929 AVERAGE, NONAGRICULTURAL EMPLOYMENT HAD JUST REACHED THE 1929 AVERAGE, THE DIFFERENCE IN LEVELS PARTLY REFLECTING TECHNOLOGICAL IMPROVEMENTS AND SHIFTS AMONG THE INDUSTRIES CONTRIBUTING TO INDUSTRIAL PRODUCTION. NONAGRICULTURAL POPULATION HAS INCREASED ABOUT 10 PERCENT SINCE 1929, MAKING AVAILABLE AN ESTIMATED 7 MILLION MORE POTENTIAL WORKERS.

SUMMARY

Domestic demand for farm products continues to improve. Industrial production, which reached a new peak in November under the stimulus of the domestic defense program and large exports of war materials, is expected to make an additional advance of about 2 percent in December. Consumer incomes are increasing along with the improvement in industrial activity, resulting in an expanding consumer demand for agricultural products. Speculative or storage demand for some products also has been stronger in recent months. A leveling off or perhaps some temporary decline in seasonally adjusted industrial activity within the next few months is expected, but this probably will not last long enough to result in any weakness in domestic consumer demand for farm products.

Tangible evidence of the growing effect of the defense program on current industrial activity is the rapid rise in defense spending, which in November totaled 376 million dollars compared with 287 in October and 153 in June. A further rise is in prospect, and eventually defense expenditures may be double the November rate. Defense contracts and allocations since June have exceeded actual expenditures by 9 billion dollars. In addition to the stimulation afforded by domestic defense activities, expenditures for war supplies by the United Kingdom and Canada are large, and are expected to increase as facilities for additional output become available.

Farm commodity exports recently have been negligible, although for some of the minor export items, such as condensed and evaporated milk and butter, exports are the largest in 10 or 15 years. Exporters of these dairy products are benefiting from the closing of former continental European sources of supply. Exports of the more important products such as cotton and tobacco are much smaller than they were a year ago and prospects are for no substantial increase in the near future.

Wholesale prices of basic commodities have receded moderately in recent weeks but remain close to the August-November recovery peak. Industrial raw material prices will be favorably affected by prospective further gains in industrial output in 1941, although the influence of inventory building may by that time be considerably reduced or absent. Prices of foods and other consumers' goods will continue to be supported by improvement in domestic consumer demand.

Farm income in November apparently was higher than a year earlier. This was due especially to continued heavy marketings of hogs and cotton and to a higher level of prices received by farmers than in November 1939. Dairy product marketings and prices also continue well above those of last year. When adjusted for seasonal variation, however, November farm income from marketings was slightly lower than in October, largely because of a reduction in cotton marketings compared with the unusually large movement in October.

-- December 17, 1940

The situation by commodities is as follows:

Wheat: The effect of the loan program in reducing the supply of free wheat continues to dominate the general wheat price level. Domestic cash wheat prices continue firm and close to the high for the season. The export indemnity which would be required to export wheat from Pacific and Gulf ports to Europe, which indicates the amount that current prices are above export price levels, is now about 26-27 cents.

Cotton: Domestic cotton prices rose about 1/5 cent during the month ended December 14 with the 10-market price at the close of the period averaging 9.84 cents for Middling 15/16 inch. During the month prices ranged from 3/8 to 5/8 cent above the Government loan rate in those markets. Nevertheless, large quantities of cotton entered the loan and raised the total 1940 pledged cotton to 2.4 million bales on December 9. The seasonally adjusted index of cotton consumption rose to 134 for November, a record high. Cotton exports from August through November were 4/5 smaller than a year ago, and foreign cotton consumption continued greatly restricted.

Feed grains: Corn prices declined seasonally during the past month. A 1940 loan rate of 61 cents is available to eligible producers, or 4 cents more than the 1939 rate. The recently announced acreage allotment for 1941 is the same as the 1940 allotment, except for new counties added to the commercial corn area.

Rice: Rice prices to growers are lower than a year ago, apparently reflecting the less favorable export situation and smaller shipments to insular possessions compared with the unusually large early season movement last year.

Hogs: Hog marketings continued to increase during November, and inspected slaughter was the largest for the month on record. Hog prices have declined relatively little in recent weeks, however, and in early December they were around 60 cents higher than a year earlier. Hog prices are expected to average higher in 1941 than in 1940 as a result of smaller supplies and stronger consumer demand for meats.

Beef cattle: Marketings of cattle and calves were reduced seasonally during November, but inspected slaughter for the month continued larger than a year earlier. Prices of choice and prime steers have advanced further in recent weeks, while prices of the other grades of slaughter cattle have held about steady. The total number of cattle fed during the 1940-41 feeding season is expected to be a little larger than a year earlier. Cattle prices are expected to average higher in 1941 than in 1940.

Lambs: Marketings of sheep and lambs were reduced sharply in November, following large marketings in the preceding month. Lamb prices weakened a little in early December, but remained higher than a year earlier. Slaughter supplies of sheep and lambs during the 1940-41 fed-lamb marketing season probably will be a little larger than a year earlier.

Wool: Mill consumption of apparel wool in October reached the highest level since 1918 and is likely to continue at a high level into 1941. Imports are now relatively large, and prices of domestic wool in the next several months will be influenced to a considerable extent by the prices prevailing for foreign wools, as well as by the high rate of domestic mill consumption.

Butter: Marked increases in the prices of butter and other dairy products have occurred since late summer. The rise has been more than usual for this season of the year, and in December butter prices were the highest since 1937. The improved buying power of consumers has been the principal factor accounting for the improvement. Consumer expenditures for butter in October were higher than in earlier months of the year and also much higher than in October 1939. Although prices of dairy products may have reached the seasonal peak for the year, it is expected that during 1941 prices will average higher than in 1940.

Poultry and eggs: The effects on poultry meat supplies and on egg supplies of the smaller hatch in 1940 compared to 1939 are becoming increasingly apparent. Receipts at principal markets of both poultry and eggs are declining relative to receipts in late 1939. The margins of this year's chicken and egg prices over those of a year earlier are expected to continue to widen during the winter and spring months because of those smaller supplies and the larger consumer incomes in prospect.

Oilseeds, fats and oils: The index for prices of fats and oils in November, at 68 percent of the 1924-29 average, was 5 points higher than a month earlier and 1 point higher than a year earlier. However, among the domestic fats only sardine oil and butter were higher priced in November this year than last, other domestic fats and oils being 10-30 percent lower. Prices received by farmers for cottonseed, peanuts, and flaxseed in mid-November also were lower than a year earlier. Large supplies and the loss of export markets were the factors chiefly responsible for the low prices.

Fruit: Expenditures by consumers for fresh fruits for the remainder of the 1940-41 season are expected to be considerably greater than for the same period in 1939.

Potatoes: Largely because of heavy marketings during recent weeks, potato prices showed only a slight seasonal rise. In early December they averaged substantially below those of a year earlier. Sweetpotato prices showed a material seasonal rise during the last month.

Truck crops: Market prices of truck crops rose seasonally during November, but because of increased supplies prices in early December averaged generally below those of a year earlier.

DOMESTIC DEMAND

Domestic demand for farm products continues to improve in response to gains in industrial activity and the income of industrial workers. The effects on demand of the improvement in business conditions have recently been quite evident in connection with several important farm products. For instance, although hog marketings have increased sharply during the past 2 months and have been much larger than a year earlier, prices have declined considerably less than the average seasonal amount and in mid-December were higher than a year earlier. Similarly, dairy product marketings and prices are substantially higher than a year ago. Egg marketings and prices also have averaged somewhat higher in recent months than at the same time in 1939. Although these recent evidences of improved domestic demand for farm products followed by several months the upturn in industrial activity, a lag of this extent is not at all unusual.

The domestic defense program is furnishing the principal impetus to industrial gains, although industrial exports continue large. Defense expenditures reached $376,000,000 in November as compared with about $200,000,000

in August. This, however, represents only a part of the direct pressure on productive activity; perhaps of even more importance in the immediate industrial situation is the plant construction and other preparatory activity necessary before the large-scale production of defense equipment can get under way. Defense contracts and allocations since June have exceeded actual military expenditures by about 9 billion dollars.

Indirectly, the defense program is causing forward buying on the part of business to escape possible future delays in production at such time as the filling of defense orders may require a still larger portion of total industrial output. This forward buying, together with the unfilled defense orders, is in large part responsible for an average monthly rise since June of 14 percent in unfilled orders of manufacturers for durable goods.

Industrial exports again increased in October but by no more than the increase in industrial production. Exports, therefore, accounted for about 6.4 percent of the output of American factories, the same as in September. Recent negotiations looking toward large scale production of commercial ships for Great Britain, together with the apparent readiness of the British Purchasing Commission to place large additional orders for aircraft and other war materials whenever domestic manufacturers can offer delivery, suggest a probable further growth in exports of industrial products.

Industrial production, which reached a new peak in November of 131 percent of the 1935-39 average, has continued to advance and may be around 133 for December. After January, when the seasonal trend is upward, it seems doubtful that productive activity will make the full seasonal gain. Steel output has been close to practical capacity for several months, and inventories have been gradually increased. Automobile production has recently been at peak levels for the season, dealers inventories have been rising, and a slowing up in output in the early months of 1941 appears likely. Similar situations exist in some less important industries. Failure of these industries to make their full seasonal gains after the turn of the year may result in a leveling off, or perhaps a temporary decline, in seasonally adjusted measures of industrial activity. Any such decline, however, is not likely to be sufficient to bring about any weakness in the demand for farm products, and within a few months - perhaps before mid-year - a resumption of the advance is expected. By that time some of the new plants which were started around the middle of 1940 will be in production and defense expenditures probably will have increased by as much as another $200,000,000 per month.

EXPORT DEMAND

Exports of agricultural products in October increased more than seasonally. The adjusted index of the physical volume of agricultural commodity exports reached 27 percent of the 1910-14 average, compared with 22 percent in the preceding month, 82 percent in October of last year, and 105 in January 1940. Agricultural exports have been so small recently that larger-than-seasonal gains such as that in October are of little real significance; in dollars

the 11-million gain in October was considerably smaller than the 21-million increase between September and October 1939, but because of the lower level of exports this year the percentage gain was nearly twice as large. No significant early improvement in export demand for United States agricultural products is in prospect.

Exports of a few of the farm and food products for which export sales are of minor importance are considerably larger than a year ago. For instance, exports of condensed and evaporated milk in October were about 2 1/2 times as large as a year earlier, and butter exports were about double those in October 1939. There were smaller increases in exports of citrus fruits and dried beans. However, exports of the more important export items such as cotton, tobacco, and pork products in October were lower than a year earlier by one-half to three-quarters. Wheat exports continue to be small, amounting to only 14 million bushels for the 6 months ended October.

There is no assurance that the favorable export situation for citrus fruits will be continued. Recently there has been some agitation in the Canadian press for restriction of citrus imports, in order to conserve dollar exchange for purchase of war materials. (Most of our citrus exports go to Canada.) Closing of continental European sources of supply is responsible for the increased exports of dairy products, and this situation probably will result in a continuation of relatively large exports of these products so long as the war in Europe continues. The difficulty of getting dried beans from the Far East, the shutting off of European sources of supply, and a short bean crop in Chile are largely responsible for the increase in bean exports, most of which go to Cuba.

WHOLESALE COMMODITY PRICES

Wholesale commodity prices in November apparently were about as high as at any time since the outbreak of war in Europe, although there is some disagreement between the various indexes. Both the monthly and the weekly Bureau of Labor Statistics price indexes of 887 commodities reached new highs by a fractional point; but the daily index of 28 basic commodities has thus far failed to duplicate the 1939 peak by about 7 percent. However, the latter index advanced 12 percent in the 3 months prior to November 19 and has since fluctuated narrowly in a generally sidewise movement.

The August to November 1940 rise in industrial raw material prices was just about half as large as the advance in the single month of September 1939, according to the Bureau of Labor Statistics index of prices of 16 industrial products. The sharp price rise last year was based in part on business fears or speculative hopes of greater rises to come. The actual situation gave little justification for these anticipations. Supplies of agricultural products and industrial raw materials were large and facilities for further production were ample to care for any increases in demand which could be expected as a direct result of the war in Europe. Later, the loss of one European customer after another tended to restrict increases in export sales--particularly of farm products--and thereby to augment the supplies available to domestic users. As a consequence, speculative enthusiasm waned and commodity prices receded, until in August of this year 80 percent of the initial gain in the 28 basic commodity price index had been lost.

The recent rise in commodity prices has been less spectacular than that in late 1939 and is based on a more solid foundation. Domestic defense orders in excess of 10 billion dollars already have been placed and British purchases of industrial materials for prosecution of the war are heavy. Actual work on these orders plus preparatory construction activity is stimulating production and consumer incomes, and is furnishing a backlog of business sufficient to induce heavy forward purchases of industrial raw materials and semimanufactures for normal uses as well as for military needs. The resulting increase in demand for many products has given confidence to both buyers and sellers, and makes for a general strengthening of commodity prices. The situation continues to justify expectations of a further substantial rise in commodity prices, although there are few signs as yet of any inflationary spiral developing.

Numerous deviations from the expected general upward trend in commodity prices in 1941 are to be expected. The possibility of foreign competition in markets for some of the important nonferrous metals already is acting as a restraining influence on prices. Building material prices, which are 10 percent higher now than in September 1939,--by far the largest gain for any of the groups in the Bureau of Labor Statistics weekly index--may not share in the expected gains next year, since effects of the most urgent demands for materials for defense probably will soon have spent their force.

PRICES RECEIVED AND PAID BY FARMERS

Prices received by farmers rose moderately in December, according to preliminary estimates based on price movements in wholesale markets. The index of prices received apparently is now up to at least the 1910-14 average level, 4 or 5 percent higher than in December of last year, and about as high as at any time since the present war in Europe started.

The largest price gains between November and December were those in dairy products, potatoes, and tobacco, and were largely seasonal in character. Prices of wheat and rye were somewhat lower in December than in November and orange prices declined seasonally.

In November prices received by farmers remained at 99 percent of the 1910-14 average, the same as in October but 2 points higher than a year earlier. Meat-animal prices were 5 percent higher than in November 1939 despite a 13-percent increase in meat output to a record for the month. The ratio of prices received to prices paid by farmers was 81 percent of the 1910-14 average, the same as in October but 1 point above November 1939.

FARM INCOME

Preliminary data on farm marketings for November indicate that income from farm marketings was slightly higher than in November last year, but that the decline from October was larger than usual. Marketings of livestock continued heavy in November and prices averaged higher than a year earlier. Prices and marketings of dairy products also were higher than in November 1939, so that income from livestock and livestock products in November was materially higher than in November last year.

Marketings of cotton and cottonseed were larger and with prices slightly higher than a year earlier income was substantially larger than in November 1939. However, income from grains, fruit, vegetables, and tobacco was less than in November 1939, so that total income from crops was not greatly different from a year earlier. Government payments to farmers in November were slightly higher than in October and also slightly more than in November 1939.

Preliminary indications are that prices received by farmers for farm products in December may average slightly higher than in November. Livestock continued to move in large volume in the first half of December. Unless the movement declines more than seasonally in the last half of the month, income from livestock will be substantially higher than in December 1939. Income from crops is likely to make about the usual seasonal change from November.

COTTON

Spot prices of Middling 15/16 inch cotton in the 10 markets increased 0.17 cent per pound during the month ended December 14 and stood at 9.84 cents on that date. The gain is less than occurred during the previous month, and on December 14 the price was about 9/10 cent lower than on the corresponding date last season. Even though the 10-market price ranged from about 3/8 to 5/8 cent above the average Government loan rate of 9.30 cents, nearly 3/4 of a million bales entered the loan during the 4 weeks ended December 9 compared with slightly more than a million bales during the preceding 4 weeks. Through December 9 a total of 2,384,496 bales had been placed in the 1940 Government loan. The December cotton report revised the estimate of the current crop downward 161,000 bales so that it now stands at 12,686,000 bales. The decrease was entirely due to a reduction in the estimated harvested acreage since the average yield per acre was slightly increased.

Domestic cotton consumption of 744,000 bales for November and of 2.8 million bales for August through November was higher than in any corresponding periods on record. The seasonally adjusted index of consumption of 134 percent of the 1935-39 average for November is 8 to 10 points higher than in either October 1940 or November 1939, and five points above the previous record high of June 1933. Mill activity continued high in early December even though mill sales of textiles were reported as below output in each of the past 4 weeks. With unfilled orders still large, mill activity is expected to continue high during the weeks immediately ahead.

Cotton mill activity in many foreign countries, especially in continental Europe, continues greatly restricted. Japanese mills reduced production still farther in November and early December. In the United Kingdom mill operations continued relatively high in recent weeks. Textiles for export to British and Dutch possessions have been in fairly good demand, and large purchases of textiles by the British Government are expected soon. Domestic sales for civilian use in the United Kingdom are very small. Canadian mills are operating at an exceptionally high level but American cotton comprises a much smaller proportion of the total quantity consumed than in any previous year on record.

Exports for the season to date have been the smallest since 1873, totaling only 495,000 bales for the 4 months ended November 30. This is about 80 percent less than in the corresponding period last season even though 20 percent of the total was exported to Russia, a country which bought no American cotton last season. During the 4 months 288,000 bales were exported to the United Kingdom, only 3/8 as much as in the same period last season. Of the quantity taken this season a large amount was reportedly barter cotton. During the past 4 months exports to China, Japan, and Canada were only 3, 7 and 40 percent, respectively, of those during the corresponding months last season.

WHEAT

The effect of the loan program in reducing the supply of free wheat continues to dominate the general wheat price level. The total quantity of the 1940 crop under loan is now about 265 million bushels. The expiration date for making loans is the last of this month, and the loans have recently started falling off. After averaging 8 to 9 million bushels a week up to about a month ago, they have fallen during the last 2 weeks to about 3 million bushels a week. Prices for the week ended December 7 were above loan values as follows: No. 2 Red at St. Louis 11.4 cents, No. 2 Hard Winter at Kansas City 7.6 cents, and No. 1 Dark Northern Spring at Minneapolis and No. 1 Soft White at Portland, both 1.6 cents. These differentials do not take into account charges of about 1 cent per month.

Domestic cash wheat prices continue firm and close to the high for the season. For the week ended December 7 the average price for all classes and grades at 6 markets of 86.4 cents was 1.6 cents above a month earlier and only 1.7 cents below the high week of the season, the week ended November 23. The good condition of winter wheat, however, has resulted in a decline of the May futures. Private estimates place the condition of winter wheat at from 84.0 to 87.1 percent of normal, compared with the 1927-36 average December condition of 82.4 percent. The first official report on acreage and condition will be released on December 20.

The amount that current domestic prices are now above export price levels is indicated by the export indemnity which would be required to export wheat to Europe. Computed on the basis of export values, this would be about 26 cents from the Pacific coast and 27 cents from the Gulf, compared with 26 and 31 cents, respectively, a month ago.

OILSEEDS, FATS AND OILS

Prices of fats and oils were steady to higher in November, with the newly constructed index for 27 items advancing 5 points from the previous month to 68 percent of the 1924-29 average. At this level, the price index was 1 point higher than in November 1939.

Among domestic fats, only sardine oil and butter were higher priced in November this year than last. Prices for other domestic fats and oils were 10-30 percent below last year's levels, chiefly because of increased output, reduced export outlets for lard and other animal fats, and the pressure of large supplies of competing vegetable oils in surplus-producing countries now cut off from important European markets. Imported oils readily

available for shipment to the United States were lower priced in November this year than last, but prices of items usually obtained from Europe and China were higher.

Except for soybeans, farm prices for domestic oilseeds in mid-November also were lower than a year earlier. Supplies of cottonseed, peanuts, and flaxseed for the current marketing season are estimated to be 6, 37, and 53 percent, respectively, larger than in the 1939-40 season; this is a near-record supply of flaxseed and a record supply of peanuts. The supply of soybeans, on the other hand, is smaller this year than last. But exports of soybeans to continental Europe, which totaled more than 10 million bushels in 1939-40, probably will be negligible this year; the quantity of soybeans available for crushing in the current season is likely to equal or exceed that of a year earlier.

Peanut purchases by grower cooperatives to early December, as reported by the Surplus Marketing Administration, amounted to approximately 40 percent of the 1940 crop, a much higher proportion than has ever before been handled by the cooperatives under the peanut diversion program. A substantial proportion of the purchases already has been diverted to crushing mills.

Harvesting of new-crop flaxseed in South America is now under way. Prospects for exports to the United States and continental Europe are not promising, and a large surplus is expected. The Grain Board in Argentina recently was authorized to purchase flaxseed at a stated minimum price, with purchases presumably to be held for sale at some future date.

CORN AND OTHER FEED GRAINS

Cash corn prices declined seasonally from mid-November to early December, while oats and barley prices were practically unchanged. Harvesting of the 1940 corn crop is later than that of the 1939 crop, and the quality of the crop somewhat lower. The 1940 loan of 61 cents per bushel will be available on corn from December 1, 1940, through September 1941, compared with 57 cents in the preceding year. Last year the period for sealing corn under the program was from December 1 to March 31. In the middle of November the price of corn in surplus corn-producing areas, where the bulk of the 1939 corn was sealed, was about 6 to 12 cents below the 1940 loan rate as compared with 15 to 21 cents below the 1939 loan rate a year ago. This would indicate that the quantity of 1940 corn sealed probably will be considerably smaller than the 302 million bushels of 1939 corn sealed, and may be below 200 million bushels.

It was recently announced that the corn acreage allotment for 1941 for the commercial producing area would be 37,300,000 acres. The slight increase over the 1940 allotment allows for 21 counties added to the commercial area, and does not represent an increase in the total corn acreage allotment. The national goal is 88 to 90 million acres, the same as for 1940.

Estimated total supplies of feed grains on October 1 have not been changed since the November issue of this publication. At that time the total supply was estimated to be about 115 million tons, 3 percent larger than the

October 1 supply last year, and about 14 percent above the 1928-32 average. About 13.3 million tons of this supply was corn sealed or held by the Government.

RICE

The average United States farm price of rice on November 15 was 72 cents per bushel, or about 4 cents per bushel lower than a year earlier, but 10 cents higher than the seasonally low price reached in September. The lower level of rice prices this year compared with that of a year ago apparently reflects the less favorable export situation and the reduced quantity of rice being shipped to insular possessions.

Exports during the 3 months August through October totaled 68.3 million pounds compared with 89.6 million pounds for the corresponding period of 1939. The principal reason for the decline this season is that practically no shipments have been made to European countries. Exports to Cuba during the 3 months were below those of the corresponding period of last year, but increased shipments to the French West Indies have been sufficient to bring the total of rice exported to all Latin American countries slightly above that of the corresponding 3 months last year.

Shipments to insular possessions during the 3 months August through October totaled 56.0 million pounds, as compared with the unusually large shipments of 88.0 million pounds during the corresponding period a year ago. However, October shipments were about the same as in October of last year and total shipments for the 3 months were above those for the corresponding months of 1938. The unusual increase in rice shipments to insular possessions during August-October 1939 was due to postponed purchases of previous months.

Total rice stocks in the United States on August 1 plus the November 1 estimated United States production give a supply of 17.6 million barrels compared with 17.3 million barrels last year. The total 1940-41 supply of southern rice (August 1 carry-over and November 1 indicated production) is 13.8 million barrels as compared with 13.7 million barrels last year. The California supply (October 1 stocks and the November 1 estimated production) is equivalent to about 3.2 million barrels, or about the same as that of last year. The estimated southern supply is about the largest on record, and the California supply is estimated as near-record.

HOGS

Despite the 8-percent reduction in the 1940 spring pig crop, hog marketings since October 1 - the beginning of the 1940-41 marketing season - have continued much larger than a year earlier. This together with the somewhat lighter weights of hogs slaughtered indicates that farmers are marketing their spring pig crop earlier than they did last year and probably earlier than they have for several years. This situation is expected to result in a greater-than-usual seasonal decrease in hog marketings during the late winter, which may be accompanied by a fairly sharp advance in prices. Hog marketings during the late spring and summer of 1941 also will

be smaller than a year earlier as a result of a substantial reduction in the 1940 fall pig crop from that of 1939. In addition to reduced marketings, hog prices in 1941 will be supported by stronger consumer demand for meats than a year earlier.

The weekly rate of hog slaughter increased sharply during the past 2 months. Federally inspected slaughter during November totaled 5,419,000 head, 21 percent more than in October and 22 percent more than in November last year. It was the largest November slaughter on record. Inspected slaughter in the first 2 months (October-November) of the current marketing year totaled 9.9 million head, 24 percent more than in the corresponding period of 1939.

Hog prices have declined relatively little in recent weeks, despite the exceptionally large marketing of the past 2 months. Prices have been supported by stronger consumer demand for meats this fall than last. The average price of butcher hogs at Chicago for the week ended December 7 was $6.15, compared with $6.30 a month earlier, $6.40 2 months earlier, and $5.50 in the corresponding week of 1939. The ratio of hog prices to corn prices has not changed greatly in recent weeks, and has continued unfavorable to hog production.

CATTLE

Indications are that the number of cattle fed during the 1940-41 feeding season will be a little larger than a year earlier. The number fed in the Corn Belt will not be greatly different from last season, but the number fed in the Western States will be a little larger than a year earlier. Feeder cattle have cost farmers a little more this fall than last, but with prospects for continued improvement in domestic demand conditions, the general level of cattle prices is expected to average materially higher in 1941 than in 1940. Present indications point to little change from a year earlier in marketings of fed cattle during the first half of 1941, but supplies may be somewhat larger than a year earlier during the last half of the year. Consequently, the seasonal decline in prices of the better grades of slaughter cattle during the coming winter and spring may not be so great as usual, while the seasonal advance in the late summer and fall of 1941 may be less pronounced than the rise in prices that has taken place since August this year.

With exception of the top grades of slaughter steers, prices of which have advanced materially during the past 2 months, prices of most grades of slaughter cattle have held fairly steady during recent weeks. The average price of good grade beef steers at Chicago for the week ended December 7 was $11.60, compared with $11.75 a month earlier, and $9.55 in the corresponding week of 1939. Prices of the lower grades of slaughter cattle in early December were only a little higher than a year earlier, and the spread between prices of the upper and lower grades was wider than it had been at any time since 1937.

Marketings of cattle and calves were reduced seasonally during November, but continued larger than a year earlier. Inspected cattle slaughter for the month totaled 884,000 head, 9 percent less than in October but 6 percent more than in November last year. Inspected calf slaughter, totaling 462,000 head, also was smaller than a month earlier but larger than in November last year.

LAMBS

Slaughter supplies of sheep and lambs during the 1940-41 fed-lamb marketing season (December-April) probably will be a little larger than a year earlier. Shipments of feeder lambs into the Corn Belt have been larger this fall than last, but the number of lambs fed in the Western States this season is expected to be smaller than a year earlier. There will be a sharp reduction in the important lamb-feeding State of Colorado, where the number fed will be one of the smallest in many years. Lamb prices will be supported by stronger consumer demand for meats and probably higher wool prices during the coming winter and spring months than a year earlier.

Marketings of sheep and lambs were reduced sharply in November, following large marketings in the preceding month. Federally inspected slaughter of sheep and lambs for the month totaled 1,462,000 head, 16 percent less than a month earlier but only slightly less than in November last year. For the entire grass-lamb marketing season (May-November) inspected slaughter of sheep and lambs totaled 10,400,000 head, about 1 percent more than in the corresponding period of 1939.

Prices of slaughter lambs weakened slightly in early December, but since mid-September they have followed a moderate upward trend, and for the past several weeks have averaged a little higher than a year earlier. The average price of good and choice grade slaughter lambs at Chicago for the week ended December 7 was $9.45, compared with $9.60 a month earlier and $9.05 in the corresponding week of 1939. Prices of feeder lambs this fall (September-November) have averaged around 25 cents higher than a year earlier.

WOOL

Under the stimulus of large orders for Army materials, domestic mill consumption of apparel wool in October reached the highest monthly level since 1918 and is likely to continue at a high level into 1941. The high rate of consumption in prospect will tend to support prices of domestic wools. But with relatively large quantities of wool being imported, prices of domestic wools in the next several months will be influenced to a considerable extent by the prices set by the British Government for Australian and South African wool and by prices prevailing in South American markets.

After advancing 15 to 20 percent from the beginning of September through October, prices of most grades of domestic wool at Boston remained unchanged during November. Prices on a scoured basis, in early December, were mostly 1 to 5 cents a pound higher than a year earlier.

Imports of apparel wool in October, totaling 25.6 million pounds, were the largest for any month since early 1937, and imports for the current season (to April 1, 1941) are likely to be the largest for any recent year. Domestic stocks of apparel wool are below average despite the relatively large imports in recent months.

Production of wool in the five principal producing countries of the Southern Hemisphere in 1940-41 is estimated to be about 4 percent smaller

than in 1939-40, but about 5 percent larger than the average for the 5 years 1934-38. Most of the apparel wool entering international trade is produced in these countries. The decline this year is chiefly in Australia, where almost half of the Southern Hemisphere clip is produced. The carry-over of wool into the current season in the Southern Hemisphere was somewhat larger than that of a year earlier.

BUTTER

Marked increases in the prices of butter and other dairy products have occurred since late summer. The rise has been more than usual, and in December prices of several dairy products were the highest since 1937. The improved buying power of consumers has been the principal factor accounting for the improvement. While prices of dairy products probably have about reached the seasonal peak for the year, it is expected that prices during 1941 will average higher than in 1940.

Both milk production and butter production have passed the seasonal low point for the year, and the seasonal rise is under way. During the past fall dairy production has been at record levels for that season of the year. Production is expected to be higher during the remainder of the feeding period, but the increase over the preceding year will not be as large as during recent months.

Apparent consumption of creamery butter in October was about 8 percent larger than a year earlier and the highest on record for the month. In October 1939 relief output of butter was about 5,000,000 pounds whereas in October this year there was practically none. The increase in trade output through regular commercial channels was about 11 percent. Retail prices of butter were about 4 percent higher. Apparently consumer expenditures for butter were about 15 percent higher than in October 1939. After allowing for seasonal changes, consumer expenditures for butter in October were also decidedly higher than in the summer months. Consumer expenditures for butter during the coming year are expected to average higher than in 1940.

POULTRY AND EGGS

The effects on poultry meat supplies of the smaller hatch in 1940 compared to 1939 are becoming increasingly apparent. The margin of this year's receipts of dressed poultry at principal markets over those of a year earlier has been considerably narrower since early November than it was during the 3 months ending on November 1. In addition, receipts of fowl and young stock at mid-western primary markets have averaged smaller than a year earlier since about the middle of November. The into-storage movement for poultry since November 1 has been a little larger than a year earlier and storage stocks of all poultry on December 1 were 25 percent larger than on December 1, 1939. Although the production of commercial broilers during the next few months may be larger than a year earlier, supplies of chicken meat (including fowl) for the first half of 1941 are expected to be 4 or 5 percent smaller than in the first half of 1940.

Chicken prices during the next several months are expected to be higher than a year earlier, as a result of larger consumer incomes, smaller supplies

of poultry meat, and smaller supplies of pork. The average price received by farmers for chickens in mid-November was about three-quarters of a cent higher than a year earlier. Turkey prices now are about the same as they were at this time last year.

As a result of a less than seasonal increase in the number of layers on farms and a more than seasonal decline in the rate of lay from the record high level of the past few months, egg production in the United States declined more than seasonally from October to November. However, the November production still was larger than a year earlier. The net out-of-storage movement for both shell and frozen eggs has increased substantially following the drop in production. Egg prices have risen considerably and the feed-egg ratio is now more favorable to producers than it was a year earlier. The margin of this year's egg prices over those of a year earlier is expected to continue to widen during the winter and spring because of the prospective 3 or 4 percent smaller supplies and larger consumer incomes.

The feed-egg ratio is expected to average more favorable to producers than a year earlier during the winter and early spring. As a result more chickens may be raised in 1941 than were raised in 1940.

POTATOES AND SWEETPOTATOES

Market prices of most varieties of potatoes rose seasonally during the last month but in early December averaged below those of a year earlier. Prices of eastern varieties averaged about 50 percent below those of a year earlier while prices of mid-western and western varieties were only slightly below. These price changes are largely the result of changes in the regional distribution of supplies compared with a year earlier. Production of potatoes this season is indicated to be about 11 percent larger than a year earlier in the Eastern States, 1 percent larger in the Central States, and 9 percent larger in the West. Total production of late potatoes is estimated to be 309 million bushels this season compared with the 10-year 1929-38 average of 295 million, an indication that market supplies during the remainder of the marketing season will be somewhat larger than average. It is probable, therefore, that only a moderate seasonal rise in prices is in prospect during the next few months.

Because of relatively small marketings, prices of sweetpotatoes rose considerably during recent weeks. Prices of Jerseys at New York rose from $1.08 to $1.51 per bushel while those of the Nancy Hall variety at Chicago rose from $1.02 to $1.30 per bushel. The crop produced this season in the Atlantic Coast and South Central States is indicated to be somewhat smaller than a year earlier or the average for the 10 years 1929-38. In years when the crop is as small as the current one, sweetpotato prices usually rise materially from December until the end of the marketing season.

TRUCK CROPS

Market prices of truck crops rose seasonally during November but in early December they averaged generally below those of a year earlier. Although the mid-November freeze in the Southern States reduced supplies of tender fall vegetables, marketings of many others continue heavier than in late 1939.

As a result of the November freeze there were declines of 14 to 20 percent in the prospective fall production of snap beans, eggplant, peppers, and tomatoes, and of about 5 percent in cucumbers. The damage would have been

considerably greater had not the harvest of these crops been comparatively early this season. Supplies of other fall vegetables such as beets, cabbage, carrots, cauliflower, celery, kale, lettuce, and spinach are indicated to be well above average. These together with relatively large supplies of stored vegetables are expected to provide for normal market requirements during the winter months.

For the late winter and early spring the supplies of early cabbage, carrots, celery, onions, and spinach probably will be larger than a year earlier, since the acreage of all of them planted or to be planted is indicated to be somewhat larger than in 1940. Production of many of the early crops last year was reduced materially by cold weather. The short crops resulted in reduced marketings and high prices during the late winter and spring months of last season. Unless conditions are again unfavorable for the production of these crops, it is probable that market prices will continue substantially below those of a year earlier during most of the first half of 1941.

FRUITS

Total production of fruits in 1940 is likely to be slightly smaller than in 1939. However, since there will be considerably less fruit exported this year, the total supply available for fresh consumption probably will approximate that of a year earlier. Increased consumers' income has not as yet caused any material improvement over last year in the demand for fresh fruits. Since changes in consumers' demand for fresh fruit usually lag several months behind changes in consumers' income, expenditures by consumers for fresh fruit for the remainder of the 1940-41 season are expected to be considerably greater than for the same period in 1939-40.

Rail and boat shipments of western apples (which include those apples exported in fresh form) for the month of November were approximately equal to those for the same month in 1939. However, since exports of fresh apples were considerably less in November of this year, it is apparent that shipments of fresh apples from Western States for domestic consumption were greater than in November 1939.

Auction prices of Extra Fancy Jonathan apples at Chicago decreased seasonally from September to October, and then increased contra-seasonally to November. Normally, Jonathan prices at Chicago decrease from September to December. Auction prices of leading varieties of western apples for the month of November were slightly higher than for the same month in 1939, but wholesale prices of eastern and mid-western apples were considerably higher in November of this year compared to last. The more favorable price position of eastern and mid-western apples this year is largely a result of the small crops produced in these regions.

The total amount of pears available for fresh consumption between December 1, 1940, and June 1, 1941 probably will be less than that available during the same period a year earlier. Large purchases of fall and winter pears for relief distribution coupled with a greater amount taken by canners this year probably will more than offset the increase in production and the decrease in exports. Prices of all late variety pears were considerably higher in November this year than a year earlier.

Prices of Florida and California oranges in November averaged considerably above those a year earlier, whereas prices of Texas grapefruit averaged considerably less than in November 1939.

ECONOMIC TRENDS AFFECTING AGRICULTURE

INDEX NUMBERS: INDICATED BASE PERIOD = 100

YEAR AND MONTH	INDUSTRIAL PRODUCTION[1]	CONSTRUCTION CONTRACTS AWARDED[1]	FACTORY EMPLOYMENT[2]	FACTORY PAYROLLS[2]	INCOME OF INDUSTRIAL WORKERS[3]	VOLUME OF AGRICULTURAL EXPORTS[4]	WHOLESALE PRICES OF ALL COMMODITIES[5]	RETAIL FOOD PRICES[6]	PRICES RECEIVED BY FARMERS[7]	PRICES PAID BY FARMERS	RATIO OF PRICES RECEIVED TO PRICES PAID	CASH INCOME FROM FARM MARKETINGS[8]
Base Period	*1935-39*	*1923-25*	*1923-25*	*1923-25*	*1924-29*	*1910-14*	*1910-14*	*1913*	*1910-14*	*1910-14*	*1910-14*	*1924-29*
1929	110	117	106	110	107	107	139	166	146	153	95	104
1930	91	92	92	89	88	82	126	158	126	145	87	83
1931	75	63	78	68	67	88	107	130	87	124	70	58
1932	58	28	66	47	46	94	95	108	65	107	61	44
1933	69	25	73	50	48	85	96	105	70	109	64	49
1934	75	32	86	64	61	66	109	117	90	123	73	58
1935	87	37	91	74	69	61	117	126	108	125	86	65
1936	103	55	99	86	80	55	118	127	114	124	92	76
1937	113	59	109	102	94	65	126	132	121	130	93	81
1938	88	64	90	78	73	75	115	122	95	122	78	71
1939	108	72	97	91	83	65	113	119	93	121	77	72
1939-												
Oct.	121	76	101	100	91	82	116	122	97	122	80	76
Nov.	124	83	103	103	93	56	116	121	97	122	80	76
Dec.	126	86	105	104	93	75	116	119	96	122	79	79
1940-												
Jan.	122	75	104	102	93	105	116	119	99	122	81	79
Feb.	116	63	102	98	89	104	115	121	101	122	83	84
Mar.	112	62	101	95	87	68	114	120	97	123	79	76
Apr.	111	64	99	95	86	61	115	120	98	123	80	82
May	114	64	99	95	87	47	114	121	98	123	80	80
June	121	74	100	98	89	44	113	123	95	123	77	70
July	121	85	102	100	91	47	113	122	95	122	78	71
Aug.	121	90	104	104	95	32	113	121	96	122	79	71
Sept.	125	93	105	110	97	22	114	122	97	122	80	76
Oct.[9]	128	92	108	112	99	27	115	120	99	122	81	80
Nov.[9]	131						116	120	99	122	81	

[1]Federal Reserve Board, adjusted for seasonal variation. Industrial production revised August 1940.

[2]Bureau of Labor Statistics, adjusted for seasonal variation (employment adjusted by Federal Reserve and payrolls by Bureau of Agricultural Economics). Revised beginning January 1939.

[3]Adjusted for seasonal variation. Includes factory, railroad, and mining employees.

[4]Foreign Agricultural Relations, July 1909 - June 1914 = 100, adjusted for seasonal variation.

[5]Bureau of Labor Statistics, 1926 = 100, converted to 1910 - 14 = 100.

[6]Bureau of Labor Statistics, 1935 - 39 = 100, converted to 1913 = 100. Revised series beginning 1935.

[7]August 1909 - July 1914 = 100.

[8]Adjusted for seasonal variation. Revised March 1940.

[9]Preliminary.

Note: In comparing trends between industrial production and industrial workers' income, as indicated by the above index numbers, notice should be taken of the different base periods used, and of the fact that income of railway workers, as well as incomes of mining and factory workers, is included in the index of industrial workers' income, whereas the industrial production index is based on mining and manufacturing only. Similar precautions are necessary in comparing trends between industrial production and factory employment and payrolls. Another consideration of importance is that the production index is based on volume, whereas the income indexes are affected by changes in wage rates as well as by time worked. In comparing monthly indexes it is important to keep in mind the fact that there is usually a time lag between changes in volume of production and similar changes in employment and in workers' income.